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Eastern Europe: Economic Assessment, 1974-75 Mar 75 ER IM 75-5

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Intelligence Memorandum

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Eastern Europe: Economic Assessment, 1974-75

- The East European[1] economies advanced at a vigorous pace in 1974 in spite of higher prices charged by Western suppliers and weakening demand by Western customers. Growth of gross national product (GNP) hit 6%-7%, with grain production almost matching the 1973 peak and industrial production expanding by 6% (Czechoslovakia) to 15% (Romania).

- Satisfactory economic growth in 1974 was made possible by stable CEMA trade prices and a trade deficit with the West, which nearly doubled to US $4.5 billion.

- Growth in 1975 is likely to fall somewhat short of the 1974 pace. The recent jump in Soviet prices for oil and other raw materials, which came sooner than expected, will add $1.5 billion to import costs for crude oil alone and will be only partly offset by concessions from the USSR. Agriculture is off to an inauspicious start. Finally, Eastern Europe must take measures to slow down import growth from the West.

- Beyond 1975, likely further increases in the prices charged by the USSR, along with increased imports of high-priced Western materials, foreshadow a slowdown in economic growth in Eastern Europe and especially in the rate of improvement of living conditions. Reliance on Soviet concessions to prevent a severe economic slump will lead to closer economic and political ties with Moscow.

1. Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania.

Note: Comments and queries regarding this memorandum are welcomed. They may be directed to [redacted] of the Office of Economic Research, Code 143, Extension 4121.

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DISCUSSION

Impact of Economic Developments in the West

1. In 1974, Eastern Europe was confronted by deepening recession in its Western markets and higher prices for its Western raw materials. These developments came at a time when dependence on non-Communist trading partners was greater than ever (see Table 1). To sustain economic momentum, Eastern Europe requires

Table 1

Eastern Europe: Imports from the Non-Communist Countries[1]

	Percent of Total Imports				Percent of GNP			
	1965	1970	1973	1974	1965	1970	1973	1974
Eastern Europe	30	32	38	44	3	4	6	7
Bulgaria	26	24	21	27	4	4	4	6
Czechoslovakia	27	31	32	36	3	3	5	6
East Germany	27	31	36	38	3	4	5	6
Hungary	33	34	37	43	5	5	7	10
Poland	34	31	48	56	3	2	6	8
Romania	39	46	53	60	3	4	5	7

1. Unclassified.

not only larger injections of Western machinery and high-quality industrial inputs – such as special steels, chemicals, and plastics – but also additional Western (mainly OPEC) oil. By 1974 the West was supplying 19% of Eastern Europe's crude oil imports, up from 13% in 1970 (see Table 2).

2. Spiraling world prices for oil, steel, cotton, grain, soybean meal, fertilizers, plastics, and other chemicals resulted in a sharp rise in the cost of East European purchases from the West in 1974. The bill for Western oil reached an estimated \$1.2 billion, or 7% of total imports from the West, compared with 4% in 1973 and 2% in 1972, although the volume of oil imports apparently did not increase much above the 240,000 barrels per day (b/d) of 1973. The East Europeans, who rely on high-priced Western oil for only 15% of their oil consumption, fared much better in 1974 than the West Europeans. For France, Italy, the United Kingdom, and West Germany, the net rise in the oil bill came to \$25.1 billion, or nearly 13% of their total imports. Excluding Romania, a net exporter of oil, the net

Table 2

Eastern Europe: Crude Oil Supply[1]

Thousand b/d

	1970	1973	1974[2]	1975[3]
Total supply	1,110	1,580	1,680	1,750-1,850
Production	330	340	340	350
Imports	790	1,230	1,340	1,400-1,500
From the USSR	690	990	1,080	1,160
From non-Communist countries	100	240	260	240-340
Exports	10	Negl.	Negl.	Negl.

1. Because of rounding, components may not add to the totals shown.
2. Estimated.
3. Projected.

rise in Eastern Europe's bill for Western oil was only about $0.3 billion, or only 2% of imports from the West.

3. In the case of Hungary – the only East European country publishing detailed data on foreign trade prices – average prices of imports from the West rose nearly 17% in 1973 compared with 1972 and 44% in January-September 1974 compared with January-September 1973. The sharpest price increases in 1974 were for imports of fuels and other raw materials. Prices of imported foodstuffs – largely grain and feedstuffs for animals – also increased substantially. Altogether, price increases accounted for 75% of the rise in Hungarian imports from the West.

4. East European export prices to the West rose much less than import prices. The resulting worsening of the terms of trade varied in intensity from one country to another, depending largely on export composition. Czechoslovakia, East Germany, Bulgaria, and Hungary, which export mainly manufactures, were hardest hit. Hungary's terms of trade, for example, declined 14% in the first nine months of 1974, as export prices rose at only half the rate of import prices. Romania and Poland were better off. Romania realized a gain of about $0.5 billion from the increased price for exports of petroleum products as against a $0.3 billion additional bill for its imports of crude. And Poland benefited greatly from the near doubling of the world market price of hard coal, while at the same time boosting the volume of coal exports to the West an estimated 25%. Poland's terms of trade with the West reportedly improved by 8% in 1974.

5. At the same time that most of Eastern Europe was facing a worsening of its terms of trade with the West, it was experiencing a slump in demand for some of its exports. One factor was the EC ban on beef imports. Another was the deepening Western recession. Romania achieved a growth of perhaps 10% in export volume and Poland of about 5%, thanks to supplies of products in strong demand, especially oil and coal, but the other countries realized little, if any, increase.

6. Prices in CEMA trade remained nearly stable in 1974, as they had for years. The Soviet Union accounted for about 30% of Eastern Europe's imports in 1974 and supplied the bulk of imported crude oil, pig iron, iron ore, and lumber at bargain prices. For example, the USSR provided 80% of Eastern Europe's oil imports in 1974 at about $3.00 a barrel. The contrast between CEMA and Western foreign trade price trends is illustrated by Hungarian data in Table 3.

Table 3

Hungary: Foreign Trade Price Indexes[1]

1965 = 100

	Imports		Exports		Exports/Imports	
	Communist[2]	Non-Communist	Communist[1]	Non-Communist	Communist[2]	Non-Communist
1966	96.0	101.1	96.9	97.4	101.0	96.4
1967	93.7	95.9	94.6	95.7	101.0	99.8
1968	93.7	94.3	94.9	93.0	101.4	98.6
1969	94.0	97.0	95.3	99.7	101.4	102.6
1970	94.9	102.7	96.0	108.8	101.2	106.1
1971	96.3	104.9	95.8	110.4	99.5	105.3
1972	98.4	108.0	96.1	115.5	97.6	107.0
1973	98.6	125.9	96.5	131.3	97.9	104.4
Jan-Sep 1974/1973	99.5	181.8	97.8	160.6	98.3	88.4

1. Unclassified.
2. CEMA trade makes up more than 95% of trade with Communist countries.

7. Still conscious of the Polish riots in 1970 over higher prices, the East European governments decided to make extensive use of budget subsidies in 1974 to insulate their domestic economies from the impact of Western inflation. Most retail prices were stable in 1974, although the desire to conserve oil prompted

the East Europeans to raise domestic fuel prices. Like the USSR, Eastern Europe is affected by deterioration in the quality of goods and the disappearance of cheaper varieties from the shelves.

Recent Economic Performance

8. The East European economies grew at an above-average pace in 1974 in spite of the deepening world recession but at the cost of a record trade deficit with the West. GNP increased by an estimated 6.7% in 1974, paced by rapid increases in industrial production ranging from 6% in Czechoslovakia to 15% in Romania (see Table 4 and the chart).[2] Agricultural production recorded its second good year in a row, with grain production nearly matching the record 73 million tons of 1973. The consumer benefited from discernible increases in real incomes.

Table 4

Eastern Europe and the USSR: Estimated GNP[1]

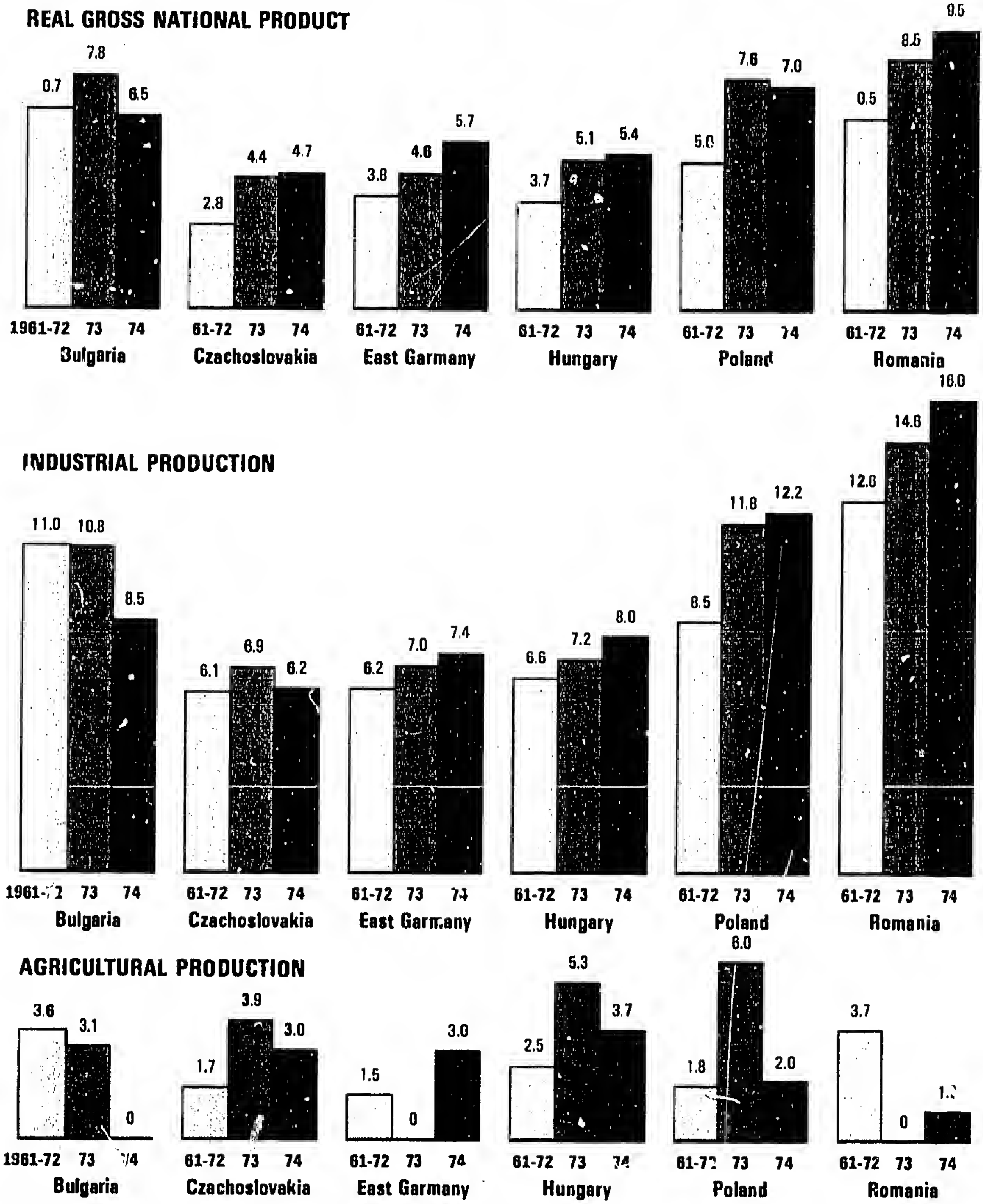
	Billion 1973 US $		Percent Increase
	1973	1974	1974/1973
Eastern Europe[2]	229.8	245.2	6.7
Bulgaria	16.5	17.6	6.5
Czechoslovakia	41.6	43.6	4.7
East Germany	51.4	54.3	5.7
Hungary	20.2	21.3	5.4
Poland	64.2	69.1	7.6
Romania	35.9	39.3	9.5
USSR	697.1	719.4	3.2

1. Unclassified.
2. Because of rounding, components may not add to the totals shown.

9. Trade with the USSR remained on track with a 13% increase; trade with the West boomed by 43%, largely because of the substantial price rises (see the Appendix). Growth in imports from the West exceeded growth in exports largely because of the sharp decline in terms of trade and difficulties in expanding sales

2. GNP estimates in this memorandum are calculated according to Western concepts; trade data and agricultural and industrial growth figures are taken almost entirely from East European official reports.

EASTERN EUROPE: Economic Growth *Average Annual Increase in Percent*



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to recession-hit Western customers. The trade deficit with the West soared from $2.3 billion in 1973 to an estimated $4.5 billion in 1974, of which Poland accounted for nearly half (see Table 5).

Table 5

Eastern Europe: Estimated Trade with the Non-Communist Countries[1]
1974

Million US $

	Imports	Exports	Balance
Eastern Europe	**18,613**	**14,155**	**-4,458**
Bulgaria	1,124	918	-206
Czechoslovakia	2,815	2,540	-275
East Germany	3,425	2,600	-825
Hungary	2,390	1,687	-703
Poland	5,834	3,695	-2,139
Romania	3,025	2,715	-310

1. Unclassified.

10. Eurodollar credits loomed large in financing the deficit, and government-guaranteed credits from NATO countries continued to be important for all of the countries except Hungary. The East Europeans also drew on Japanese government-guaranteed credits. In addition, Poland benefited from a large French line extended in 1972 and raised to $458 million in 1973. Some oil money – probably mostly short term – may well have found its way into East European coffers. The only announced OPEC loan was the $40 million Hungarian bond issue taken up in December 1974 by the Kuwait International Investment Company. The bonds were issued at 10-1/2% and are redeemable in eight years.

11. Eastern Europe's net liabilities on the London Eurocurrency market increased sharply in 1974 (see Table 6). Eastern Europe's net liabilities on the Eurodollar market as a whole are estimated to have come to at least $3 billion by the end of September 1974. A large part of the borrowing consisted of syndicated bank loans with repayment periods running up to 12 years and interest set at 0.5-1.0 percentage points above the 6-month Eurodollar interbank rate.

Table 6

Eastern Europe: Net Liabilities on the London Eurocurrency Market[1]

Million US $

	End 1971	End 1972	End 1973	End September 1974
Total	518	671	1,450	2,088
Bulgaria	105	182	257	343
Czechoslovakia	-24	-76	-14	-41
East Germany	137	118	361	584
Hungary	197	271	327	368
Poland	-18	79	405	607
Romania	121	97	114	227

1. Unclassified.

12. Trade with the United States in 1974 boomed 50% to $1.4 billion, 4% of total trade with the West:

Million US $

	1973	1974
Imports from the United States	605	819
Exports to the United States	299	540

Much of the 35% increase in East European imports from the United States resulted from a sharp rise in Romanian and Polish purchases on credit of machinery and equipment. Purchases of US agricultural products – mainly soybean meal and grain – rose only 7% to $528 million. The 81% boost in East European exports was featured by increased sales of Romanian petroleum products, Polish metallurgical products, and Hungarian gold coins.

Outlook

Trade with the West

13. Although the East Europeans will try to cut back on the growth of imports from the West in 1975, they will run another large deficit. Attempts to

increase exports will continue to be thwarted by Western recession. The East Europeans have, for example, already been hit by the drop in the world market for cotton textiles. At the same time, though, this enables them to cut back on imports of cotton.

14. Much of the financing of the prospective 1975 deficit has already been obtained in the form of government-guaranteed credits from NATO countries and, more important, syndicated Eurodollar loans. Poland, for example, has been granted a $70 million seven-year credit by a consortium headed by Barclays Bank International. The interest is set at 0.625 percentage points above the London bank rate for the first three years and at 0.75 percentage points above for the last four. In late 1974 the French government added another $458 million to the credit line initially extended to Poland in 1972 to cover imports of French machinery through 1975. Romania, the only East European country that has joined the IMF, has been granted credits of about $290 million by the World Bank. In addition, the East Europeans are seeking more OPEC money.

15. Beyond 1975, the extent to which Eastern Europe can expand its exports to the West and its ability to find new sources of long-term financing will determine its ability to continue to increase imports from the West. Some of the best hard currency earners – such as processed foods and low-sulfur Polish coal – may have to be diverted partly to the Soviet market. Although Eastern Europe should be able to obtain much of its financing in the Eurodollar market, it will also require large injections of Arab oil money. Without enough barter or credit deals, the East Europeans will have to cut back sharply on plans for imports from the West.

Trade with the USSR

16. The East Europeans had expected the USSR to maintain the prices of its oil and other raw materials until the end of the current five-year planning period, that is, through 1975. The Soviets, however, have boosted the price for most oil deliveries in 1975 from $3.00 per barrel to at least $6.50 per barrel – still far below the international price of $10-$11 per barrel. This will increase Eastern Europe's bill for Soviet crude oil by $1.5 billion, an amount equal to 12% of total exports to the USSR in 1974. In addition, the Soviets are raising prices on a wide spectrum of other raw materials shipped to Eastern Europe. Most of these prices also will be well below world market levels. It is not yet clear whether prices on all raw materials are being raised.

17. The Soviets are permitting smaller price increases for machinery and manufactures, which make up the bulk of their purchases from Eastern Europe. The resulting worsening of Eastern Europe's terms of trade with the USSR will vary with each country, according to its dependence on imports of Soviet raw materials.

18. The official Hungarian party organ, *Nepszabadsag*, reports that more than half of the goods traded between the USSR and Hungary will undergo some price increase. Prices of Soviet basic materials and fuels are to increase 52% and of machinery only 3%. In return, the Hungarians will receive price increases ranging from an average of 15% for machinery to an average of 28% for agricultural products. Budapest has admitted that its terms of trade with the USSR will sharply deteriorate.

19. Besides the obvious reluctance to continue to supply oil at about one-fourth of the world price, the Soviet Union's decision to raise prices a year early is based in part on unhappiness over trading relationships with Eastern Europe. Revisions in CEMA trading prices in 1965-66 and 1971-72 did not correct the overvaluation of machinery products, which are often priced at the level of superior Western models. The East Europeans themselves are careful in trade with one another to exchange undervalued raw materials and other products that can be sold for hard currency only for similar goods. On the other hand, the USSR supplies raw materials to Eastern Europe in return for overvalued East European machinery. In an attempt to offset its disadvantage, the USSR had insisted since the mid-1960s that the East Europeans (a) purchase more Soviet machinery, (b) buy more oil in the West, and (c) invest in Soviet raw material projects as a guarantee for future deliveries. Despite adjustments stemming from these demands. the Soviet Union still considered itself at a disadvantage in trade with Eastern Europe; it was unwilling to increase this disadvantage by continuing to supply oil and other raw materials at unchanged prices when the world prices had risen spectacularly.

20. Moscow probably will grant concessions to those hardest hit -- Czechoslovakia, East Germany, Bulgaria, and Hungary -- in order to prevent severe strains on their economies. The Soviets will probably be especially generous in 1975, since the East Europeans have already drawn up their plans on the assumption the old prices would hold. The Hungarians have already been promised 10-year credits. In addition, Moscow will make deliveries against Hungarian investment in Soviet raw material projects instead of deferring repayment as previously planned. The Soviets also have agreed to help reduce the Hungarian bill for high-priced

Western raw materials by shipping above-plan amounts of crude oil, timber, natural gas, fertilizers, and other chemicals. Moscow may not be as forthcoming to Poland and Romania, which rely less on Soviet raw materials.

21. Concessions by the USSR not only will prevent major economic disruptions for its junior partners but also will serve Moscow's political ends. On the one hand, the Soviets cannot afford to drive the East Europeans closer to the West by exacting all of the economic leverage at its command. On the other hand, concessions in return for closer East European ties to the USSR clearly would promote Soviet policy toward CEMA integration and CEMA/EC ties.

22. Despite these concessions, East European terms of trade with the USSR will continue to worsen during the next few years. According to Polish Premier Jaroszewicz, intra-CEMA prices are to be recalculated annually on the basis of the previous five-year average world prices. Even if world prices for raw materials level off or decline slightly, CEMA prices will continue to rise for several years as low-priced years are dropped from the formula. Assuming a moderate rise in world prices, the East Europeans could be paying $12 a barrel for Soviet crude by 1980. This would bring the total bill for Soviet oil to $7 billion, or one-fourth of total projected imports from the USSR.

Domestic Economy

23. Growth in 1975 is likely to fall somewhat short of the 1974 pace. Soviet concessions will only partly balance the higher prices for Soviet raw materials. Once again the East Europeans will be able to forestall most of the impact of high world prices by heavy borrowing in the West. Domestic endowment of raw materials will favor Poland and Romania, which are planning to boost industrial production by more than 10%. But the Hungarians and Bulgarians are cutting back growth plans, and real income per worker in Hungary will show little growth. All the countries are counting heavily on a good year in agriculture to meet their targets. So far the outlook is inauspicious – late autumn rains delayed and in some cases prevented planting of winter wheat.

24. Beyond 1975, further increases in prices for Soviet oil, gas, timber, grain, and cotton – on top of the need to import a growing share of raw materials from high-priced sources in the West – will force the East Europeans to reevaluate their long-range economic goals. Long-term planning itself will become more difficult as the prices for all imports – and exports – will change each year.

25. The sectors hardest hit by higher costs or any cutbacks in fuel supplies would be chemicals, metallurgy, agriculture, and food processing. These are the industries relying most on imports of Western equipment and basic materials, which also may be trimmed. Consumer industries such as textiles, leather, food, and paper may require more investment and output to satisfy Moscow's desire for additional consumer goods from Eastern Europe.

26. The requirement to boost exports to both the West and the East will leave fewer goods for domestic consumption. Planners will have to slow down the growth of real income and increase some retail prices. Already the Hungarians in January 1975 and the Poles in February 1975 have raised retail prices for some goods that incorporate high-priced Western materials, and the others are likely to follow. In addition, domestic fodder shortages coupled with the high cost of imported fodder forced a reduction of hog numbers in the last quarter of 1974 in at least one country – Poland. By March, the decline in meat supplies had led to disturbances in several Polish cities and a succession of apologetic speeches by worried leaders. The age of the consumer in Eastern Europe, which began in 1971, may thus be short-lived.

The Individual Economies

Poland

27. Poland is in the strongest economic position in Eastern Europe because of its coal, sulfur, copper, and zinc. The Poles estimate that in 1974 their terms of trade with the West improved by 8%, with export prices rising about 40% and import prices growing less than 30%. Second only to the United States in coal exports, Poland has estimated reserves in excess of 100 billion tons. Coal supplies about 80% of energy needs, with oil – mostly from the USSR – supplying 10%. Coal accounted for 20% of total exports to the West in 1974; the increase in the price of hard coal, which rose from about \$20 a ton in 1973 to about \$35 in 1974, accounted for one-third of the 46% increase in the value of Poland's exports to the West.

28. The Poles have been using coal as a bargaining tool in negotiations with Western countries. For example, Poland received a large credit from Sweden in 1974 in return for deliveries of coal in 1975-79 and has demanded a \$300 million credit from Finland for guaranteed coal deliveries. In January 1975, France signed a preliminary agreement to supply credits, coal mining equipment, and technical

assistance in exchange for increased coal shipments during 1975-79. Also, because of the expected higher price of its coal deliveries to the USSR, Poland will be less affected than other East European countries by the rise in the price of Soviet oil.

29. Emboldened by its raw material treasure and its low debt service ratio, Poland continued to spend sizable sums on Western machinery in 1974. Much of the machinery is being installed in export industries, such as meat processing, for sales to the West. In 1974 the trade deficit with the West amounted to $2.1 billion, compared with $1.3 billion incurred in 1973. A large part of this deficit was financed by credits for purchases of machinery and equipment, which account for almost one-third of total imports from the West. Recent large orders for machinery indicate that trade with the West will increase still further this year. The Poles, for example, have yet to take delivery of $180 million of US machinery financed in part by the Export-Import Bank.

Romania

30. Increased prices for exports of petroleum products, agricultural goods, and wood products kept Romania from suffering much deterioration in its terms of trade with the West in 1974. The leaders, however, are concerned about rising prices for imported raw materials and have taken measures to curb imports from the West and encourage development of the country's own resources. The Romanians plan, for example, to displace imports of some steel and machinery from the West with domestic production and purchases from other CEMA countries. A program is also under way to exploit low-yield iron ore deposits, which -- until the recent world price increases -- were considered unprofitable.

31. Nonetheless, Romania's interest in acquiring Western technology will remain high in 1975. Bucharest hopes, for example, to place orders in the United States during the next few months for $100 million worth of machinery, provided favorable Export-Import Bank credit arrangements can be made.

32. Concern over dwindling oil reserves caused Ceausescu to call for conservation measures in late 1973. Output of crude has been growing slowly in recent years, rising from 270,000 b/d in 1970 to 290,000 b/d in 1974. Indeed, the Romanians have had to rely on imports of Western oil to supply their 400,000 b/d refining capacity. They should, however, remain net oil exporters for at least the next five-year plan. Nevertheless, the terms of trade are apt to deteriorate

after 1975 as Romanian requirements for Western coking coal, iron ore, and bauxite soar. And rising imports of crude oil will consume an increasing share of earnings from oil exports.

East Germany

33. Despite higher prices for its exports of chemical and petroleum products, East Germany still ran a 1974 deficit with West Germany of about $160 million, compared with $130 million in 1973. Exports of oil products to West Germany offset an estimated two-thirds of the bill for Western oil. As for trade with the West as a whole, the deficit surpassed the record $780 million deficit recorded in 1973. A considerable part of the deficit was financed by Eurodollar credits, many of which presumably were arranged by the Moscow Narodny Bank.

34. US recognition of the GDR, while improving the commercial climate, has had no appreciable effects on trade, which still accounts for only 3% of the GDR's total trade with the West. Soybean meal, corn, and wheat make up nine-tenths of East German purchases from the United States.

35. East Germany is apprehensive about the effects of the Soviet raw material price rises because of heavy dependence on Soviet oil, iron ore, rolled steel, and hard coal. Moreover the East Germans will face higher prices for Polish coal and coke, which account for more than two-fifths of their imports of these commodities.

Czechoslovakia

36. Higher prices for Western raw materials and difficulties in expanding exports led to Czechoslovakia's $275 million trade deficit with the West in 1974. The government reacted by (a) reducing production of certain goods, such as textiles, that require high-priced Western inputs, (b) increasing central control over foreign trade, and (c) introducing a new tax on imports from the West.

37. Prague will be seriously affected by the rise of raw material prices within CEMA. The USSR supplies a large share of Czechoslovakia's total consumption of crude oil (92%), iron ore (78%), and cotton (58%). Although Czechoslovakia is largely self-sufficient in hard coal and coke, it receives about three-fourths of its imports of potassium fertilizers from East Germany and more than half its bauxite from Hungary.

38. Beyond 1975, the Czechs are deciding on a program to stimulate exports to both East and West. Remedies under discussion include concentrating imports and investment on export sectors such as consumer goods, chemical products, and cellulose.

Hungary

39. Purchases of high-priced Western crude oil, chemical products, sugar, and cotton resulted in a sharp decline in Hungary's terms of trade and a record foreign trade deficit with the West in 1974. Hungarian banking officials have revealed that the deficit has been largely financed by untied medium-term and long-term Eurodollar loans. During the first nine months of 1974, the prices of Hungarian imports from the West rose 44.5% while export prices rose only 22.4%. Moreover, export volume to the West slumped slightly during the same period as the Western recession and the EC import ban on meat shrank export markets. Subsidies to offset import price increases rose from 2% of budget expenditures in 1973 to 9% in 1974.

40. The Hungarians have responded with a comprehensive package of remedies for 1975 including (a) a cutback in growth plans, especially for industrial production and real wages; (b) a redirection of imports to the socialist countries by tightening credit and restricting import licenses for imports from the West; (c) a boost in investment in the energy and food sectors; (d) increases in production goals for coal, natural gas, sugar beets, soybeans, and sunflower seeds; and (e) a strict energy conservation program.

41. The Hungarian economic reform -- the only genuine reform program in Eastern Europe -- will be further trimmed. Managerial freedom in planning production, foreign trade, and investment has been eroded since the overinvestment binge and $300 million trade deficit with the West in 1971. Current problems of high world prices and a deficit with the West in 1974 of $700 million have led economic chief Karoly Nemeth to call for more direct control over the economy. A complete abandoning of the reform is unlikely -- producer prices for raw materials were raised substantially in January 1975 in order to reduce subsidies and restore the exposure of enterprises to world market forces.

Bulgaria

42. Of all the East European countries, Bulgaria is by far the most dependent on oil and one of the hardest hit by higher Western prices. The net increase in

Bulgaria's oil bill could add more than one-third to its hard currency import bill by 1980. And the already high debt service ratio will make a sharp increase in borrowing difficult. At the same time Bulgaria will aslo continue to require other Western materials caught up in the inflation, such as chemicals and cotton. Prices of exports – fruits and vegetables, finished steel, and consumer goods – are rising much less rapidly.

43. Bulgaria is the most dependent on trade with the Soviet Union, which supplies nearly 50% of its total imports and at least 90% of its imports of oil, iron ore, and coal. In addition, the Bulgarians will receive 3 billion cubic meters of natural gas this year through a recently completed pipeline. Moscow is likely to grant Sofia credits to help pay for the increased bill for Soviet and perhaps even Western raw materials.

APPENDIX

EASTERN EUROPE: FOREIGN TRADE, BY AREA[1]

Million US $

	Imports			Exports		
	1972	1973	1974[2]	1972	1973	1974[2]
Eastern Europe	**24,234**	**32,893**	**42,127**	**24,543**	**31,824**	**38,414**
Eastern Europe	6,721	8,887	10,187	6,676	9,030	10,385
USSR	8,222	9,993	11,665	9,335	11,020	12,161
Other Communist	1,014	1,369	1,662	1,183	1,456	1,713
Developed West	6,848	10,603	15,249	5,478	7,795	10,310
Developing nations	1,429	2,041	3,364	1,871	2,523	3,845
Bulgaria	**2,567**	**3,270**	**4,166**	**2,627**	**3,300**	**3,838**
Eastern Europe	629	788[2]	915	531	710[2]	815
USSR	1,341	1,615[2]	1,920	1,478	1,755[2]	1,945
Other Communist	77	185[2]	207	109	156[2]	160
Developed West	349	466[2]	790	310	400[2]	510
Developing nations	171	216[2]	334	199	279[2]	408
Czechoslovakia	**4,662**	**6,304**	**7,840**	**4,915**	**6,218**	**7,400**
Eastern Europe	1,488	2,064	2,455	1,590	2,063	2,250
USSR	1,548	1,890	2,170	1,668	1,970	2,160
Other Communist	260	340	400	275	360	450
Developed West	1,056	1,553	2,140	929	1,309	1,755
Developing nations	310	457	675	453	516	785
East Germany	**5,905**	**7,876**	**9,015**	**6,184**	**7,542**	**8,780**
Eastern Europe	1,641	2,334	2,520	1,904	2,366	2,745
USSR	2,069	2,489	2,785	2,485	2,850	3,095
Other Communist	215	254	285	275	306	340
Developed West	1,777	2,524	3,054	1,277	1,694	2,200
Developing nations	203	275	371	243	326	400
Hungary	**3,154**	**4,076**	**5,575**	**3,291**	**4,594**	**5,129**
Eastern Europe	885	1,057	1,407	967	1,406	1,581
USSR	1,094	1,389	1,587	1,188	1,534	1,638
Other Communist	97	123	191	142	193	223
Developed West	851	1,178	1,882	739	1,126	1,214
Developing nations	227	329	508	255	335	473
Poland	**5,330**	**7,862**	**10,471**	**4,927**	**6,432**	**8,332**
Eastern Europe	1,491	1,943	2,035	1,154	1,633	2,014
USSR	1,591	1,916	2,353	1,816	2,082	2,373
Other Communist	180	203	249	161	188	250
Developed West	1,772	3,431	5,158	1,397	2,063	2,816
Developing nations	296	369	676	399	466	879

Million US $

	Imports			Exports		
	1972	1973	1974[2]	1972	1973	1974[2]
Romania	**2,616**	**3,505**	**5,060**	**2,599**	**3,738**	**4,935**
Eastern Europe	587	701	855	530	852	980
USSR	579	694	850	700	829	950
Other Communist	185	264	330	221	253	290
Developed West	1,043	1,451	2,225	826	1,203	1,815
Developing nations	222	395	800	322	601	900

1. Unclassified.
2. Estimated.